

Available online at [www.sciencedirect.com](http://www.sciencedirect.com)**ScienceDirect**

Procedia Economics and Finance 25 (2015) 598 – 606

---

---

**Procedia**  
Economics and Finance

---

---

[www.elsevier.com/locate/procedia](http://www.elsevier.com/locate/procedia)

16th Annual Conference on Finance and Accounting, ACFA Prague 2015, 29th May 2015

## Budget Transparency in Czech Local Government

Lucie Sedmihradská<sup>a\*</sup><sup>a</sup>*University of Economics, Prague, Department of Public Finance, W. Churchill Sq. 4, Prague 130 67, Czech Republic*

---

### Abstract

The paper evaluates budget transparency in Czech local government. The Disclosure requirements specified in the legislation are fragmented: not all existing budget documents must be published and noncompliance only leads to sanctions in some cases. Analysis and comparison of disclosure practice in the 22 Prague districts revealed that districts comply with the disclosure requirements stipulated in the Budgetary rules but often fail to comply with the requirements stipulated by the freedom of information legislation. The commitment to transparency in form of a policy statement has no impact on the overall evaluation of the districts but it is positively associated with compilation of narratives accompanying both the draft budget and draft year-end report. The size of the district plays only a limited role.

© 2015 Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license

(<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of University of Economics, Prague, Faculty of Finance and Accounting

**Keywords:** Budget transparency; Local government

---

### 1. Introduction

Budget transparency is perceived as a tool for effectiveness improvement, accountability enhancement (Heald, 2003) and increase of the probability that corrupt or wrong decision is detected (Bac, 2001, 88). It is usually defined as a full disclosure of all relevant fiscal information in a timely and systematic manner (OECD, 2003). The public urges for greater budget transparency, the amount of information publicly provided on the Internet grows and none of the above listed changes takes place.

---

\* Corresponding author.

E-mail address: [sedmih@vse.cz](mailto:sedmih@vse.cz)

The objective of the paper is to evaluate budget transparency in Czech local government. It goes beyond the assessment of compliance with legal disclosure requirements. It defines a set of qualitative criteria for evaluation of the draft budget and draft year-end report. Based on these criteria the praxis in 22 Prague districts is analyzed and compared. There is also evaluated the impact of the politicians commitment to transparency.

The paper is structured as follows: first the relationship between information disclosure, its users and accountability is discussed, than the legally required budget publicity for Czech local governments is outlined. Next there are defined the evaluation criteria and the results of the evaluation is presented. Finally the conclusions are drawn.

## 2. Information disclosure and accountability

Government officials often think that they give clear information on the budget and budget management but are puzzled by citizens' responses (Rubin, 2000, 9). Full disclosure of all relevant fiscal information does not necessarily mean that citizens know if they are getting a good deal for their money (Rubin, 1996, 129). The pure availability of budget documents is thus accompanied by the requirement of their accessibility to the public (Ramkumar – Shapiro, 2011, 18) because "accountability does not happen by itself; budgets do not wade into crowds and draw around them circles of admiring readers" (Rubin, 2000, 9).

Transparency is a necessary but not sufficient condition for ensuring greater public accountability (Halachmi – Greiling, 2013, 566). Public accountability helps citizens to control those holding public office for their acts, decisions or expenditures and is thus extremely important from a democratic perspective (Bovens, 2007, 463). When we call for higher transparency, we call for efficiency increase, accountability enhancement or mismanagement prevention. And when we evaluate transparency, we scrutinize which documents or information is available, either freely on the Internet or on request (e.g. Open Budget Survey). The key question in this context is, if higher transparency, e.g. publication of budget documents, leads to better accountability of government officials by itself, or if there is needed a user of this information who takes an action.

Bovens (2007, 453) declares that transparency is only a prerequisite of accountability because it does not necessarily involve scrutiny by a specific forum, thus without users it cannot be fully exercised. This is in line with Rubin (1996, 114), who perceives the citizens interest in local government budgets as a key factor of accountability and a means of restoring the capacity to govern. Heald (2003, 754) sees the role of government in ensuring that all relevant information is available to all actors, but adds that transparency requires an audience with the capacity to understand and act (Heald, 2012, 39).

In contrary Jones and Pendlebury (2004, 321) claim, in case of audited local government accounts, that their publication is not addressed to external users, because accountability is achieved through the knowledge that financial accounts are produced through a transparent and clearly established procedure and independently audited and if there is need they can be scrutinized (Jones – Pendlebury, 2004, 318). Similarly Greiling – Spraul (2010) cite Pollitt, who observed that there are cases in which production of information is more important than its actual use by a user. In any case there is a strong consensus that regarding transparency it is important that *someone can* use the published information (Jones – Pendlebury, 2004, 317).

But what are the reasons for reluctance to provide information? Greiling – Spraul (2010) offer four theoretical explanations for this reluctance. While three of the theories, i.e., principal-agent theory, stewardship theory and the social exchange theory, support the opinion that the low provision of information is intentional and that the government or its officials try to hide some information, the critical accounting theory stress the inability to provide the information.

The inability to provide the information surely grows if we require that the information is not only available, e.g., on the Internet, but that it is presented in such a way that general public understands it or even that general public is interested in it (Rubin, 1996, 127-130). Unfortunately, the requirement of transparency being a two-way relationship (Heald, 2012, 45) when the amount, content and form of the published information results from constructive challenge imposed by the user on the government is only a wish. In reality it is too often hindered by the stewardship type of behavior of the governments, when officials believe that they provide precisely the right amount and quality of information and any further request treat as personal offence and put stop to a constructive and open dialogue (Greiling – Spraul, 2010).

The provision of budget information is mostly determined by the professional financial staff resulting from legal, mostly accounting based, requirements. So the experts decide what and how include in the budget documents (Bland – Rubin, 1997, 84), with very limited input from the users. E.g., Kloby, (2009, 385) shows that popular reports are generated from within the government without any consultation with either council members or citizens.

Interconnection of budgeting and accounting leads to a wide-spread belief, that practically all aspects of budget documents disclosure are regulated and that the voluntary part is negligible. As shown in the next parts of the paper, in reality the granted discretion is high and so is the variability of the practices.

### 3. Legally required budget disclosure for Czech local governments

The Czech Republic is a unitary state. The Constitution from 1993 establishes two levels of local governments: regions (14) and municipalities (about 6,250). The 26 biggest municipalities hold the status of a city and may be divided into city districts. The budget related legislature, i.e., Budgetary rules for territorial entities (250/2000 Coll.), Law on tax assignment (243/2000 Coll.), Law on audit of local government units (420/2004 Coll.), Law on financial control in the public administration (320/2001 Coll.), Regulation on budget classification (323/2002 Coll.), is the same for all types of local governments and local governments are subject to the freedom of information legislation, i.e., Freedom of information law (106/1999 Coll.) and related Regulation on the structure of information published on the Internet (442/2006 Coll.).

Disclosure requirements regarding local government budget documents are specified in the budget legislation and the freedom of information legislation. While the Budgetary rules for territorial entities deal only with publicity of draft budget and draft year-end report before their approval, the Regulation on the structure of information published on the Internet (hereafter Regulation) requires permanent availability of the key budget documents. Table 1 presents all publicity requirements and highlights the limited interconnection of the two areas of regulation. Budgetary rules do not introduce the term “amended budget”, so it is not clear what exactly should be published. On the other hand the Regulation does not require publicity of existing documents such as budget outlook or audit report.

The legislation does not define in-year or quarterly budget reports, but some of the local governments compile and approve them. Many local governments approve the budget only after the beginning of the fiscal year and in the first weeks or months of the fiscal year use a provisional budget. The publication of the provisional budget or the in-year reports is not required and consequently they are only rarely published.

Table 1. Publicity requirements regarding individual budget documents

|                           | Publicity requirement based on |                                |
|---------------------------|--------------------------------|--------------------------------|
|                           | the budgetary rules*           | the freedom of information law |
| Budget proposal (t)       | x                              |                                |
| Budget outlook (t+2-5)    |                                |                                |
| Approved budget (t-1),(t) |                                | x                              |
| Amended budget (t)        |                                | x                              |
| Year-end report (t-1)     | x                              | x                              |
| Audit report              | x                              |                                |

Note: \* only 15 days before council debate

Source: Budgetary rules for territorial entities and Regulation on the structure of information published on the Internet

The fact that the Freedom of information law refers to all functional areas and that the Budgetary rules are quite general and leave significant space for municipalities regarding the individual steps of the budgetary process and the content of individual budget documents leads to quite limited publicity obligation. This, however, holds only for information on the Internet. The right to submit an information request allows obtaining basically all budget documents which are available at all (see Sedmíhradská, 2014). Czech, not only local, governments do not systematically monitor performance indicators, so it is unlikely to obtain ready information regarding performance.

As well as the budget legislation local governments are subject to the accounting legislation, i.e., Law on accounting (563/1991 Coll.), Regulation accompanying the law on accounting (410/2009 Coll.), which prescribes considerable mandatory reporting requirements. Accrual based accounting was introduced in local governments in 2010 so local governments now compile the standard accounting statements such as the balance sheet, the profit and loss account, cash flow statement, an overview of changes in own capital and enclosure (Otrusínová – Kubičková, 2011, 64). Next to that they report on the budget using the cash principle and the binding budget classification. All the statements are standardized and local governments submit them regularly to the Ministry of Finance which publishes them quarterly. Local governments are not required to publish these statements themselves.

#### 4. Data and methods

We deal with all 22 so-called large Prague districts (see Dlouhý, 2014, 108-109 for specification). They cover the whole territory of the city and compose thus a full sample of this particular type of local government. The selection was made purposively as we expected that the geographic proximity and the same methodical guidelines from the Prague magistrate, not existing elsewhere, would support mutual mimicking. This expectation was, however, not confirmed.

The analysis of the on-line availability of budget information, i.e., the individual budget documents and their content, was divided into three parts. First we evaluated the visibility and accessibility of budget information and then we explored the 2014 draft budget and 2013 draft year-end report published at the electronic notice board before the council debate. This division allowed us to minimize the impact of the web page construction and general information disclosure practices of the district.

Assumption that once published document will remain available does not hold in many districts. After the expiration of the mandatory 15 days period many documents disappear for good or are published in a different format. On the other hand requests for these documents are answered promptly; all my e-mails were answered within 24 hours. Therefore only the evaluation of the visibility and accessibility reflects the current situation (as of 11 June 2014) and the evaluation of the 2014 draft budgets and 2013 draft year-end reports is based on the documents downloaded from the electronic notice boards or requested from finance directors.

There are designed and applied 18 criteria divided into three groups: visibility of budget documents (5 criteria), 2014 draft budget (8 criteria) and 2013 draft year-end report (5 criteria). Each of the criteria is valued 1 in case such information is present or 0 otherwise. The evaluation was done independently by two evaluators in order to minimize omissions and subjective evaluation. Collected data was analyzed using the correlation analysis and the difference of means test.

When evaluating visibility and accessibility we shared the expectation of Beales and Thompson (2010, 4) that budget information should be posted on a single web page where there are all the relevant documents together with some explanation (hereafter called budget web). The budget web should be easily to find either in the menu or through the search mechanism, because if it is not, then such a document is effectively not disclosed (see Lourenco et al., 2013, 284). Based on these expectations three variables were constructed:

- **FIRST\_PAGE** reaches the value 1 if using the CTRL+F function any of the four key words was found (budget, final, finance or management – we have used only the first few letters to be sure another grammatical case does not “hide” the searched word) and 0 otherwise
- **SEARCH\_BUDGET** and **SEARCH\_YER** evaluate the possibilities to locate the budget web through the built-in search mechanism; **SEARCH\_BUDGET** reaches value 1 in case budget is found and **SEARCH\_YER** reaches value 1 in case year-end report is found and 0 otherwise.
- **BUDGET\_WEB\_B** and **BUDGET\_WEB\_YER** indicate if the budget web is available and what is its content; **BUDGET\_WEB\_B** reaches 1 in case previous years approved budgets are present and **BUDGET\_WEB\_YER** reaches 1 if year-end reports and possibly other documents such as audit reports are present. The format of the page or the time for which documents are available is not evaluated.

The number of fulfilled criteria in one district is labeled **VISIBILITY**. Its maximum is 5.

Next we evaluated the form and the content of the 2014 draft budgets published on the web pages or electronic public notice before the budget debate in the district council. A good budget meets all legal requirements, includes all the necessary components, focuses on information essential to decision making and presents information in a

clear and accessible way (Bland – Rubin, 1997, 1999). Features of a good budget are highlighted also in questionnaires or indexes such as GFOA (2011), Bronić et al. (2012) or Caamaño-Alegre et al., (2011).

The legal definition of a local government budget says that it is a financial plan which includes revenues, expenditures and other financial operation. Therefore budget is mostly presented in a form of a table which reflects to some extent the binding budget classification. However, in order to comply with the other characteristics of a good budget a narrative is necessary. It should give both a clear overview or summary and a sufficient detail which enables careful scrutiny of the proposal. The line-item format of the Czech local government budgets does not provide much information for examination of the appropriateness of expenditures, it allows for instance evaluation of year to year changes in the accounting lines (Rubin, 2000: 89) and therefore it is necessary that the previous year's figures are shown and at least such a comparison is possible.

It is important that the budget is comprehensive (Allen – Tommasi, 2001: 49). The districts report their economic activity, e.g., dealing with owned property, separately, therefore in order to present a comprehensive budget this information needs to be presented as well.

The format of the published documents, especially tables, is crucial as well. They should be available in such formats that allow citizens to easily process and analyze the data. Lourenco et al. (2013, 284) distinguish three possible format options directly process-able, extractable or image. We evaluated if tables are available in a process-able format, specifically the .xls format (see also Beales – Thompson, 2010, 5).

Citizens' participation in government budgeting process receives continual attention but in reality it is typically minimalists and yields limited results (Ebdon – Franklin, 2006, 437 and 438). According to the Czech legislation citizens are allowed to propose motions to both the draft budget and draft year-end report in written or personally at the council meeting. In order to promote citizens participation the information about this possibility should be included in the published draft budget, possibly together with an e-mail contact.

The evaluation criteria are:

- SUMMARY – the budget tables are accompanied by short summary highlighting the major issues and evaluating the proposed budget as whole
- DETAIL – the budget tables are accompanied by a detail commentary which deals with individual budget lines
- INVESTMENT – detailed list of planned investments including factual description, not only the budget classification codes, is included
- COMPARISON – the figures for 2014 are presented together with 2013 figures (either the budget, amended budget or execution)
- EA\_TABLE – plan of economic activity (reported separately from the budget) is presented in the form of a table
- EA\_COMMENT – the EA\_TABLE is accompanied by an explanatory text
- B\_XLS – budget tables are presented in the .xls format
- PUBLIC – there is provided information how public can submit proposals, either in the document or elsewhere on the web pages; in case this information is available only in the council agenda rules we assigned 0

The number of fulfilled criteria in one district is labelled BUDGET, its maximum is 8.

Reporting, including the year-end report, is the main way to fulfil accountability obligations (Monfardini et al., 2012). So from the accountability point of view the year-end report is much more important than the budget. The amount and quality of information is influenced by similar factors as in case of the draft budget: There is more information if (1) the data is presented in district specific format reflecting the organizations structure than in the standardized statement Fin 2-12M using only the functional and economic but not administrative classification and (2) if the tables are accompanied by a narrative, preferably in a format which allows search in the document.

Unlike other local governments, the city districts do not send the reports to the Ministry of Finance but to the city, and the Ministry of Finance publishes only consolidated statements for the city including the districts, so if the districts do not publish the statements themselves, they are only available on request (see Sedmíhradská, 2014). Data presented in the statements considerably increase the volume of information about the economic situation of the district.

- OWN\_TABLE – if the table copies the format of the Fin 2-12M statement we assigned 0, 1 otherwise
- YER\_COMMENT- the tables are accompanied by a narrative
- YER\_SEARCHABLE – the format of the file containing YER\_COMMENT allows to use the CTRL+F function
- YER\_XLS - tables are presented in the .xls format

- STATEMENTS – the accounting statements are presented

The number of fulfilled criteria in one district is labelled YE\_REPORT, its maximum is 5.

In order to describe the city districts we used demographic and fiscal variables and the stance of the district regarding openness or transparency. Most of the districts prepared after the 2010 election a policy statement. In case of 14 districts this policy statement contains open or transparent government, administration or management. At the same time five districts established a special transparency, openness or anticorruption committee. The control variables are:

- POPULATION – number of inhabitants, in thousands, data come from the 2014 budget of the capital Prague
- EXPENDITURE – total expenditures in the 2014 budget draft in millions CZK
- TRANSPARENT – the policy statement contains open or transparent government, administration or management
- COMMITTEE – there exists a special committee of the district commission which focuses on transparency, openness or anticorruption measures

The 22 districts are very heterogeneous from many aspects. Regarding their budgets, expenditures range from less than 70 million to more than 2 billion CZK. Number of inhabitants is between 7 and almost 130 thousands.

## 5. Results and discussion

The evaluation of VISIBILITY shows significant differences between our expectations and the reality. Only one district fulfilled all the criteria and 7 districts failed only in case of the FIRST\_PAGE. The BUDGET\_WEB is maintained in 21 districts, in 9 cases it includes only approved budgets (see Table 2). Only in two cases the information on amended budget is available. None of the districts provided any explanation about the documents presented. The fact that the year-end reports were presented only in 12 districts is quite striking, because it shows that 10 districts do not comply with the Regulation. This result is in line with Sedmíhradská (2014) who evaluated online availability of 2011 year-end reports.

However, it is not always easy to find the budget web: only in 3 cases a direct link can be found on the first page. The built-in search is more helpful but in two cases when the budget web exists it does not find it when searching for “budget”. In case the budget web contains the year-end report (12 cases) the built-in search of “year-end report” finds it only in 8 cases. The visibility is higher in districts which fulfil more criteria evaluating the draft budget. The correlation coefficient between BUDGET and VISIBILITY is 0.510 at the 95% confidence level. The correlation analysis did not prove any relationship between VISIBILITY and YE\_REPORT. Visibility or any of its components is not influenced by the size of the districts expressed either by EXPENDITURE or POPULATION.

The format and the content of the published draft budgets differ considerably. Six districts published one .pdf document which contained both text commentary and tables, 13 districts published the text commentary and tables in different files (at maximum Praha 8 published 8 files) and three districts published only tables. Number of districts which fulfil the individual criteria is shown in Table 2.

Table2. Fulfilment of the individual evaluation criteria

| Variable    | Number/share of districts |        | Variable       | Number/share of districts |        |
|-------------|---------------------------|--------|----------------|---------------------------|--------|
| TRANSPARENT | 15                        | 68.18% | FIRST_PAGE     | 3                         | 13.64% |
| COMMITTEE   | 5                         | 22.73% | SEARCH_YER     | 9                         | 40.91% |
|             |                           |        | SEARCH_BUDGET  | 19                        | 86.36% |
| SUMMARY     | 16                        | 72.73% | BUDGET_WEB_B   | 21                        | 95.45% |
| DETAIL      | 16                        | 72.73% | BUDGET_WEB_YER | 12                        | 54.55% |
| INVESTMENT  | 17                        | 77.27% |                |                           |        |
| COMPARISON  | 16                        | 72.73% | STATEMENTS     | 17                        | 77.27% |
| EA_TABLE    | 19                        | 86.36% | YER_COMMENT    | 17                        | 77.27% |
| EA_COMMENT  | 14                        | 63.64% | OWN_TABLE      | 20                        | 90.91% |
| B_XLS       | 9                         | 40.91% | YER_XLS        | 9                         | 40.91% |



|        |   |        |                |    |        |
|--------|---|--------|----------------|----|--------|
| PUBLIC | 8 | 36.36% | YER_SEARCHABLE | 14 | 63.64% |
|--------|---|--------|----------------|----|--------|

Source: own calculations

The number of fulfilled criteria dealing with the draft budget is higher in districts with more inhabitants and higher expenditures. Correlation coefficient between POPULATION and BUDGET is 0.581 and between EXPENDITURE and BUDGET 0.481 at 95 % confidence level. The positive influence of the population size on budget transparency is in line with findings of Albalade (2012) and Jorge et al. (2011). Districts which fulfil more criteria regarding draft budget fulfil also more criteria regarding the draft year-end report. Correlation coefficient between BUDGET and YE\_REPORT is 0.459 at the 95% confidence level. Unlike the draft budget, size plays no role regarding the year-end report: the correlation analysis did not show any significant relationship between POPULATION and YE\_REPORT or EXPENDITURE and YE\_REPORT.

Fulfilment of some of the individual criteria evaluating the draft budget, i.e., DETAIL, INVESTMENT and COMPARISON, are related to the size of the district expressed both as POPULATION and EXPENDITURE. The difference of means test (Table 4) shows that the average size of districts which fulfil these three criteria is significantly higher than in districts which do not.

Regarding the individual criteria evaluating the draft year-end report we can see influence of POPULATION and in a lesser extent EXPENDITURES. Smaller districts are more likely to publish only the standardized tables without utilization of district specific organizational classification or topical list of investments, but if they publish YER\_COMMENT it is more likely to be in a searchable format. Publication of the tables in process-able format (YER\_XLS) is more common in districts with more inhabitants and higher expenditures.

Most of the districts (14) published all of the statements and 3 districts published some of the statements, however in 10 cases the statements were scanned pictures of quite low quality which did not allow any elaboration. Only in one case the statements were published in the .xls format. At the same time in 4 cases the statements were published in the same file as the audit report, so one could only find them if (s)he opened this file.

Table 3. Impact of district size on the evaluation criteria (results of the difference of means test)

| Dependent variable | Grouping variable | Mean 1 | Mean 0 | t-value |     | Valid N 1 | Std.Dev. 1 | Std.Dev. 0 |
|--------------------|-------------------|--------|--------|---------|-----|-----------|------------|------------|
| EXP                | DETAIL            | 802.9  | 161.0  | 2.704   | **  | 16        | 569.6      | 100.0      |
| EXP                | INVESTMENT        | 739.6  | 247.8  | 1.798   | *   | 17        | 579.8      | 316.7      |
| EXP                | COMPARISON        | 763.6  | 265.7  | 1.960   | *   | 16        | 577.1      | 356.9      |
| EXP                | OWN_TABLE         | 683.0  | 76.5   | 1.487   |     | 20        | 564.1      | 10.6       |
| EXP                | YER_XLS           | 1002.6 | 368.4  | 3.057   | *** | 9         | 616.8      | 357.3      |
| EXP                | YER_SEARCH        | 634.8  | 850.3  | -0.634  |     | 14        | 541.7      | 484.6      |
| POP                | DETAIL            | 64,826 | 14,516 | 3.649   | *** | 16        | 32,839     | 9,071      |
| POP                | INVESTMENT        | 61,962 | 14,195 | 3.061   | *** | 17        | 33,949     | 9,692      |
| POP                | COMPARISON        | 62,178 | 21,580 | 2.653   | **  | 16        | 34,073     | 24,597     |
| POP                | OWN_TABLE         | 55,292 | 9,238  | 1.801   | *   | 20        | 35,372     | 1,551      |
| POP                | YER_XLS           | 73,639 | 35,505 | 2.788   | **  | 9         | 35,745     | 28,397     |
| POP                | YER_SEARCH        | 49,329 | 90,499 | -2.083  | *   | 14        | 29,138     | 41,456     |

Note: \* denotes 90 %, \*\* denotes 95 % and \*\*\* 99% of statistical significance respectively; There were no significant means differences in case of other variables, N1+N2=22

Source: own calculations

There is no relationship between TRANSPARENCY or COMMITTEE and any of the cumulative indicators such as VISIBILITY, BUDGET or YE\_REPORT. This means that a promise or commitment of the politicians given to the citizens shortly after the 2010 election has no real impact and that establishment of a special committee is no more than a political gesture. Results of the difference of means test show that there is no significant difference

between the average number of fulfilled criteria in districts with or without the commitment to transparency in the policy statement. The establishment of a transparency committee plays no role at all.

However looking at the individual criteria the conclusion may be more positive: districts which committed themselves to transparency are trying to do something and what they do is preparation of narrative accompanying both the draft budget and draft year-end report. The share of districts which prepare narrative to draft budget (86.7%) and to draft year-end report (93.3%) in districts which committed themselves to transparency is much higher than in districts which did not (42.9% for both draft budget and draft year-end report). Districts producing narrative in the framework of 1 document are more likely to produce it for other documents as well. Eleven districts produce a narrative to all documents (budget, economic activity and year-end report).

A careful scrutiny of the 22 draft budgets and draft year-end reports revealed how different these documents are despite the common methodological guidelines provided by the Prague magistrate, usage of the same accounting software or geographic proximity. Study of budget documents from several districts brings an understanding of the whole system, but no single district provides enough information to understand for instance the system of intergovernmental fiscal relations among the districts, the city and other public budgets, fiscal autonomy of the districts, linkage between budget and economic activity etc.

## 6. Conclusions

Information disclosure and transparency is a burning issue in the Czech Republic and budgets and other fiscal information draws the biggest attention. Despite political declarations and commitments to higher transparency in the form of either policy statement or establishment of a special transparency committee, the achievements in this area by the Prague districts are still low.

The districts comply with the publication requirements stipulated in the Budgetary rules, i.e., the draft budget and the draft year-end report are available 15 days before their debate and approval in the council. However, a permanent on-line availability of these documents is not commonplace. The compliance with the Regulation on the structure of information published on the Internet is quite low, probably because there are, contrary to the budgetary rules, no sanctions.

From the point of view of an ordinary citizen the presentation of budget documents and information is rarely convenient and it supposes some prior knowledge, i.e., the citizen need to know exactly, what they are looking for. Even when all the published documents are located on a single and easy to find web page, none of the districts provide any information about what is presented. Low interest in the potential audience is clear also from the missing information (14 districts) that and how citizens may submit comments to the draft budget.

The size in terms of both population and approved expenditures impacts the way and type of information provided in the draft budget, especially the existence of the detailed commentary, investments overview and comparison with the past, but it plays no role regarding the visibility of budget information. In case of the year-end reports small districts are more likely to use the standardized forms and present tables in the.xls format.

The most likely impact of the recent focus on transparency is preparation of narrative accompanying tables in case of both the draft budget and draft year-end report. This is a significant change compared to the past: 73% of Prague districts elaborated a text commentary in 2014 compared to 45 % of 11 examined Czech cities in 2004 (Sedmířradská, 2004). The extent and quality of the narrative differs considerably and there is significant space for improvement even in the best cases. All of the budgets are solely line-items budgets with practically no performance information.

The biggest gap between expectations and reality are in the area of visibility: the quality and comprehensiveness of the budget webs are low and they are often hard to find. Most of the districts do not fully comply with the Regulation on the structure of information published on the Internet and the amount of voluntarily published documents is very limited. So is the low focus on such features as the .xls format, search-ability of the documents or very low quality of the many scanned documents and statements. Although the new accounting system has been in force for four years the commentaries to the year-end report do not deal with information provided in the statements at all.



## Acknowledgement

The contribution is an output of the research project “Fiscal federalism in the Czech Republic” supported by the Internal grant agency of the University of Economics, Prague, No. F1/1/2012 and a project of the Faculty of Finance and Accounting, which is carried out within the institutional support of the University of Economics in Prague, number *IP 100040*.

## References

- Albalade, D. (2012) The institutional, economic and social determinants of local government transparency. Research institute of applied economics. Working paper 2012/10.
- Allen, R., Tommasi, D. (2001). *Managing Public Expenditure A Reference Book for Transition Countries: A Reference Book for Transition Countries*. OECD Publishing.
- Bac, M. (2001). Corruption, connections and transparency: Does a better screen imply a better scene?. *Public Choice*, 107(1-2), 87-96.
- Beales, J., Thompson, M. W. (2010). Government transparency in Virginia: How localities compare. The Thomas Jefferson Institute for Public Policy. Available at: [http://www.thomasjeffersoninst.org/pdf/articles/Govt\\_Transparency\\_LocalGov.pdf](http://www.thomasjeffersoninst.org/pdf/articles/Govt_Transparency_LocalGov.pdf).
- Bland, R. L., Rubin, I. (1997). *Budgeting: A guide for local governments*. Washington, DC: International City/County Management Association.
- Bovens, M. (2007). Analysing and assessing accountability: a conceptual framework. *European law journal*, 13(4), 447-468.
- Bronić, M., Ott, K., Urban, I. (2012). Local budget transparency: The case of 33 Croatian cities. *Financial theory and practice*. 36(4), 355 – 337. Available at <http://www.ijf.hr/upload/files/file/FTP/2012/4/bronic-ott-urban.pdf> (1.3.2013)
- Caamaño-Alegre, J. et al. (2011). Budget Transparency in Local Governments: An Empirical Analysis. International Center for Public Policy, Working Paper 11-02. Available at <http://ideas.repec.org/p/ays/iswps/paper1102.html> (1.3.2013)
- Dlouhý, M. (2014). Models of Subsidy Allocation among City Districts. *Prague Economic Papers*, 2014(1), 108-120.
- Ebdon, C., Franklin, A. L. (2006). Citizen participation in budgeting theory. *Public Administration Review*, 66(3), 437-447.
- GFOA (2011) Detailed Criteria Location Guide. Available at <http://www.gfoa.org/downloads/BudgetDetailedCriteriaLocationGuideFY2011.pdf> (1.3.2013)
- Greiling, D., Spraul, K. (2010). Accountability and the challenges of information disclosure. *Public Administration Quarterly*, 338-377.
- Halachmi, A., Greiling, D. (2013). Transparency, E-Government, and Accountability. *Public Performance & Management Review*, 36(4), 562-584.
- Heald, D. (2003). Fiscal transparency: concepts, measurement and UK practice. *Public Administration*, 81(4), 723-759.
- Heald, D. (2012). Why is transparency about public expenditure so elusive?. *International Review of Administrative Sciences*, 78(1), 30-49.
- Jones, R., Pendlebury, M. (2004). A theory of the published accounts of local authorities. *Financial Accountability & Management*, 20(3), 305-325.
- Jorge, S., Sá, P. M., Pattaro, A. F., Lourenço, R. P. (2011). Local Government financial transparency in Portugal and Italy: a comparative exploratory study on its determinants. In 13th Biennial CIGAR Conference, Bridging Public Sector and Non-Profit Sector Accounting.
- Kloby, K. (2009). Less is more: Exploring citizen-based financial reporting in local government. *Journal of Public Budgeting, Accounting & Financial Management*. 21(3): 368-392.
- Lourenço, R. P., e Sá, P. M., Jorge, S., Pattaro, A. F. (2013). Online Transparency for Accountability: One Assessing Model and two Applications. *Electronic Journal of e-Government*, 11(1).
- Monfardini, P., Barretta, A.D., Ruggiero P. (2012). Seeking legitimacy: Social reporting in the healthcare sector. *Accounting Forum*. 37(1), 54–66.
- OECD. 2002. [online]. Best Practices for Budget Transparency. Available from WWW <<http://www.oecd.org/dataoecd/33/13/1905258.pdf>>
- Otrusínová, M., Kubičková, D. (2011). *Finanční hospodaření municipálních jednotek po novele zákona o účetnictví*. Praha: Nakladatelství CH Beck.
- Ramkumar V., Shapiro I. (2011). [online]. Guide to Transparency in Government Budget Reports: Why are Budget Reports Important, and What Should They Include? Available from WWW <<http://internationalbudget.org/wp-content/uploads/Guide-to-Transparency-in-Government-Budget-Reports-Why-are-Budget-Reports-Important-and-What-Should-They-Include-English.pdf>>
- Rubin, I. (1996). Budgeting for accountability: Municipal budgeting for the 1990s. *Public Budgeting & Finance*, 16(2), 112-132.
- Rubin, I. (2000) *The politics of public budgeting*. Chatham.
- Sedmíhradská, L. (2004). Obecní rozpočet a kvalita informací poskytovaných prostřednictvím internetu. In: *Public administration 2004*. Pardubice : Univerzita Pardubice, 299–303.
- Sedmíhradská, L. (2014). Budget Transparency in Prague Districts: An Initial Analysis. In: Špalková, D., Matějová, L. (ed.). *Current Trends in Public Sector Research*. Brno: Masarykova univerzita, 83-89.